

**MITCHELL COUNTY RURAL WATER DISTRICT NO. 3  
BELOIT, KANSAS**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT**

**For the year ended October 31, 2015**

**MITCHELL COUNTY RURAL WATER DISTRICT NO. 3  
BELOIT, KANSAS**

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Public Accountants



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Mitchell County Rural Water District No. 3  
Beloit, Kansas

We have audited the accompanying financial statements of the business-type activities of Mitchell County Rural Water District No. 3, as of and for the year ended October 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit and Accounting Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Basis for Qualified Opinion

We were unable to obtain sufficient, appropriate evidence on the inventory as we were not present for the year-end count and did not perform an inspection before inventory had been used subsequent to the year-end count. Consequently, we were unable to determine whether any adjustment to the amount was necessary.

## Qualified Opinion

In our opinion, except for the possible effects of the matter described in the 'Basis for Qualified Opinion' paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Mitchell County Rural Water District No. 3, as of October 31, 2015, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 and 4 and budgetary comparison information on page 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Pottberg, Gassman : Hoffman, Chd.*

Pottberg, Gassman, & Hoffman, Chartered  
Manhattan, Kansas  
February 1, 2016

**MITCHELL COUNTY RURAL WATER DISTRICT NO. 3  
BELOIT, KANSAS  
OCTOBER 31, 2015**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Mitchell County Rural Water District No. 3 annual financial report presents an analysis of the District's financial performance during the year ended October 31, 2015. The District's financial performance is discussed and analyzed within the context of the accompanying annual audited financial statements and disclosures following this section.

**Financial Statements**

The attached financial statements present the assets and liabilities, revenues and expenses and changes in net position of the District on the accrual basis of accounting. The statement of net position provides information on all of the District's assets and liabilities, with the difference between the components presented as net position. Net position is reported as one of three categories: net investment in capital assets, restricted, and unrestricted. Over time, increases or decreases in net position may serve as useful indicators of whether the District's financial position is improving or deteriorating.

The statement of revenues, expenses and changes in fund net position presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., retirement plan payable). The statement of cash flows reverses the accruals to show the effect of the annual transactions on the available cash balance.

**Financial Highlights**

The District's total assets decreased \$32,853 from October 31, 2014 to 2015.

The increase in capital assets of \$182,922 from October 31, 2014 to 2015 is the net effect of additions of \$224,170 for the purchase of a building and land, \$39,346 for a Ditch Witch Vac and trailer, \$42,830 for a Carrico JD Skid Steer and Pallet Fork, \$5,000 for a car trailer, \$1,837 for other equipment, disposals of \$30,240 of items no longer in use, and a change in accumulated depreciation of \$100,022.

Total liabilities decreased \$198,335. The decrease is primarily related to the district paying off the Series F, 2003 Revenue Refunding Bonds.

Total Net Position increased \$165,482. Net Position restricted for the bond reserve decreased \$161,500 as the bond reserve requirements were no longer necessary, net position invested in capital assets increased \$382,922, and the unrestricted net assets decreased \$55,940.

There was a decrease in water revenues from October 31, 2014 to 2015 of \$77,752 due to a decrease in gallons sold. Total operating expenses increased \$44,754 from October 31, 2014 to 2015 primarily due to materials related to the addition of automatic reader units.

The District realized a gain from operations of \$114,238 after recognizing depreciation expense of \$114,372 during the 2015 FYE. In the 2014 FYE, the District realized a gain from operations of \$243,907 after recognizing depreciation expense of \$107,209. Non-operating expenses decreased \$43,371 from October 31, 2014 to 2015 primarily related to the purchase of GPS Maps in the amount of \$20,989 and interest expense of \$14,548 in the prior year which did not occur in the current year. Operating revenues decreased \$2,470 from October 31, 2014 to 2015 primarily related to a decrease in miscellaneous income and reimbursements.

Total cash on hand at the end of the year was \$752,409, an increase of \$109,405 over the cash on hand at October 31, 2014. Ending net position was \$2,212,586 and \$2,378,068 as of October 31, 2014 to 2015 respectively and the change in net position was \$261,850 and \$165,482 for the years then ended.

**MITCHELL COUNTY RURAL WATER DISTRICT NO. 3  
BELOIT, KANSAS  
OCTOBER 31, 2015**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Additional Information**

In 2015, the water district added 6 new benefit units and reinstalled 2 meters in existing meter sites. There was approximately 2.5 miles of new line installed.

In 2015, the district continues to operate under the same management and the office continues to operate from its location in Beloit. The district bought the entire facility at 2031 N Independence and plans for a total renovation in 2016. The district was able to pay \$202,315 to pay-off the 2003 Revenue Refunding Bond Series F.

The district purchased 83,933,000 gallons of water and sold 67,914,907 gallons of water in 2015. The District has an Emergency Water Plan on file.

All substantial interest statements from board members were completed and returned to the district office.

This financial report is designed to provide a general overview of the District's finances and demonstrate the District's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the District office at 2031 N Independence, Beloit, KS 67420.

**MITCHELL COUNTY RURAL WATER DISTRICT NO. 3**  
**STATEMENT OF NET POSITION**  
**OCTOBER 31, 2015**

**ASSETS**

**Current Assets**

**Cash and Cash Equivalents**

Cash on Hand	\$ 915
Petty Cash	145
SVB Checking	58,630
Savings - Farmway	191,353
SVB Savings	280,282
Certificates of Deposit - GSB	171,084
Certificate of Deposit - Farmway	50,000

<b>Total Cash and Cash Equivalents</b>	<b>752,409</b>
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Accounts Receivable - Net	5,162
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Inventory	57,244
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<b>Total Current Assets</b>	<b>814,815</b>
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**Noncurrent Assets**

**Capital Assets**

Water System and Equipment	4,145,535
Building	159,161
Land	103,836
Vehicles	33,900
Accumulated Depreciation	(2,862,537)

<b>Total Capital Assets</b>	<b>1,579,895</b>
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**Other Assets**

Capital Credits - Rolling Hills	29,263
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<b>Total Other Assets</b>	<b>29,263</b>
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<b>Total Noncurrent Assets</b>	<b>1,609,158</b>
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<b>TOTAL ASSETS</b>	<b>\$ 2,423,973</b>
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**LIABILITIES, DEFERRED INFLOWS AND NET POSITION**

**Current Liabilities**

Accounts Payable	\$ 41,815
Payroll Taxes Payable	2,929
Security Deposits	1,161

<b>Total Liabilities</b>	<b>45,905</b>
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**Net Position**

Invested in Capital Assets, Net of Related Debt	1,579,895
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Unrestricted	798,173
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<b>Total Net Position</b>	<b>2,378,068</b>
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<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	<b>\$ 2,423,973</b>
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The notes to the financial statements are an integral part of this statement.

**MITCHELL COUNTY RURAL WATER DISTRICT NO. 3**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**FOR THE YEAR ENDED OCTOBER 31, 2015**

<b>OPERATING REVENUES</b>	
Water Revenues - Members	\$ 356,631
Water Revenues - Commercial	115,346
City Surcharge	13,061
Monthly Minimum	243,915
City Minimums	21,012
<b>TOTAL OPERATING REVENUES</b>	<u>749,965</u>
<b>OPERATING EXPENSES</b>	
Payroll and Payroll Taxes	121,330
Automatic Meter Reading Fees	4,242
Board Expense	2,765
Contract Labor	9,977
Dues	575
Employee Benefits	20,098
Fuel / Diesel / Oil	6,952
Insurance	19,377
Legal and Audit	8,650
Locates and Fees	316
Materials and Supplies	93,889
Mileage	3,153
Miscellaneous	2,057
Office Expense	7,119
Rent	7,875
Repairs and Maintenance	8,046
Utilities and Phone	33,177
Vehicle Maintenance	2,861
Water Conference Expense	1,706
Water Fees and Taxes	3,029
Water Purchases	164,161
<b>TOTAL OPERATING EXPENSES</b>	<u>521,355</u>
<b>INCOME FROM OPERATIONS BEFORE DEPRECIATION</b>	<u>228,610</u>
Depreciation	(114,372)
<b>OPERATING INCOME (LOSS)</b>	<u>114,238</u>
<b>NON-OPERATING REVENUES AND EXPENSES</b>	
Dividends	4,869
Interest Income	3,624
Miscellaneous Income and Reimbursement	29,306
Penalty Revenue	5,045
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>42,844</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	<u>157,082</u>
Capital Contributions	8,400
<b>CHANGE IN NET POSITION</b>	<u>165,482</u>
<b>NET POSITION, BEGINNING</b>	<u>2,212,586</u>
<b>NET POSITION, ENDING</b>	<u><u>\$ 2,378,068</u></u>

The notes to the financial statements are an integral part of this statement.



**MITCHELL COUNTY RURAL WATER DISTRICT NO. 3**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED OCTOBER 31, 2015**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash Received from Customers	\$ 751,808
Cash Payments to Suppliers for Goods and Services	(345,577)
Cash Payments to Employees and Professional Contractors for Services	(165,306)
Net Cash Provided (Used) by Operating Activities	<u>240,925</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Acquisition and Construction of Capital Assets	(313,183)
Principal Paid on Bond	(200,000)
Interest Paid on Bonds and Notes	(2,314)
Capital Contributions	8,400
Release of Debt Restrictions	327,720
Other Capital Activities	39,188
Penalties and Finance Charges	6,573
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(133,616)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income	<u>2,096</u>
Net Cash Provided (Used) by Investing Activities	<u>2,096</u>

Net Increase (Decrease) in Cash and Cash Equivalents	109,405
Cash and Cash Equivalents at January 1	643,004
Cash and Cash Equivalents at December 31	<u>\$ 752,409</u>

**Reconciliation of Operating Income to Net Cash Provided by Operating Activities**

Income from Operations	\$ 114,238
Depreciation	114,372
Assets Reclassified to Supplies	15,888
Decrease (Increase) in Receivables	1,168
Increase (Decrease) in Accounts Payable	2,551
Increase (Decrease) in Accrued Interest	(2,314)
Increase (Decrease) in Payroll Taxes Payable	751
Increase (Decrease) in Inventory	(6,406)
Increase (Decrease) in Retirement Plan Payable	(84)
Increase (Decrease) in Security Deposits	761
Net Cash Provided by Operating Activities	<u>\$ 240,925</u>

The notes to the financial statements are an integral part of this statement.

**MITCHELL COUNTY RURAL WATER DISTRICT NO. 3**  
**BELOIT, KANSAS**  
**OCTOBER 31, 2015**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization Description**

Mitchell County Rural Water District No. 3, Beloit, Kansas (District), was incorporated January 11, 1973 as a quasi-municipal Corporation under Kansas Statute K.S.A. 82a-612 et seq., for the purpose of providing a water supply system for the landowners within the area of the District. The following is a summary of the District's significant accounting policies.

**Basis of Accounting**

The water district is a governmental organization operated as a business type entity. The District's financial information is reported on the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Operating revenues are those that are generated from primary operations. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations. All other expenses are reported as non-operating expenses, such as reimbursements for joining the water district.

**Statement of Cash Flows**

For purposes of the statement of cash flows, the District considers all bank deposit accounts, money market accounts and certificates of deposit classified as current assets to be cash and cash equivalents. Certificates of deposit with maturities of longer than three months can still be used by the District to meet current liabilities if they wish to pay any applicable penalties.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Accounts Receivable**

Accounts receivable are customer water bills that have been invoiced but remain unpaid. All receivables are due within one year. Receivables are reported net of an allowance for uncollectible accounts. The District provides an allowance for doubtful accounts based upon review of outstanding receivables, historical collection information and existing economic conditions. The allowance for uncollectible accounts netted with accounts receivable was \$5,162 for the year ended October 31, 2015.

**Capital Assets**

Capital assets purchased for \$500 or more are capitalized at cost. Depreciation is recorded based on the estimated useful life of each asset using the straight-line method. The estimated useful lives of the assets range from 5 to 50 years.

**Inventory**

Inventory is stated at cost and consists of pipe, valves, meters, and other items needed to repair or add water lines.

**MITCHELL COUNTY RURAL WATER DISTRICT NO. 3  
BELOIT, KANSAS  
OCTOBER 31, 2015**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Noncurrent Assets**

Noncurrent assets include capital assets and capital credits at the Co-op.

**Accounts Payable**

Accounts payable consist of invoices received from vendors for services or products received during the period but not yet paid.

**Taxes**

The District is exempt from federal and state income taxes.

**Date of Management's Review**

Management has reviewed subsequent events through February 1, 2016, the date the financial statements were available to be issued.

**NOTE 2 – DEPOSITORY SECURITY**

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

*Concentration of credit risk.* State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The District has no designated "peak periods."

At October 31, 2015 the District's carrying amount of deposits was \$751,448 and the bank balance was \$738,196. Balances at one bank exceeded the Federal Depository Insurance Corporation (FDIC) limit and those balances in excess of FDIC limits were more than 5% of the total bank balances, which results in a concentration of credit risk per GASBS 40, paragraph 11. Of the bank balance, \$647,437 was covered by federal depository insurance and \$90,759 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

The following is a comparison of depository security with balances on deposit with the District's designated depositories at October 31, 2015:

**MITCHELL COUNTY RURAL WATER DISTRICT NO. 3**  
**BELOIT, KANSAS**  
**OCTOBER 31, 2015**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 – DEPOSITORY SECURITY, CONTINUED**

<u>Financial Institution</u>	<u>Demand Deposits</u>	<u>Time Deposits</u>	<u>FDIC Coverage</u>	<u>Pledged Securities</u>	<u>Unsecured Deposits</u>
First National Bank & Trust	340,759	-	250,000	90,759	-
Farmway Credit Union	176,353	50,000	226,353	-	-
Guaranty State Bank	-	171,084	171,084	-	-

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable and the related allowance for doubtful accounts at October 31, 2015 are as follows:

Outstanding Balance	\$12,996
Allowance for Doubtful Accounts	<u>(7,834)</u>
Net	<u>\$5,162</u>

The allowance for doubtful accounts relates to one customer. The remaining accounts receivable balances are considered collectible by management as of October 31, 2015.

**NOTE 4 – CAPITAL ASSETS**

Capital assets purchased or built are capitalized at cost. Depreciation is recorded based on the estimated useful life of each asset using the straight-line method over the following estimated useful lives: Water Distribution System – 40 to 50 years; Machinery and Equipment – 7 to 10 years; Computer Equipment – 5 years; and, Computer Software – 3 years.

Capital Asset Activity for the year ended October 31, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Capital Acquisitions/ (Depreciation)</u>	<u>(Sales) / Disposals</u>	<u>Ending Balance</u>
<b>Capital Assets not being Depreciated:</b>				
Land	\$ 38,827	65,009	-	\$ 103,836
<b>Total Capital Assets Not Being Depreciated</b>	<b>38,827</b>	<b>65,009</b>	<b>-</b>	<b>103,836</b>
<b>Capital Assets Being Depreciated:</b>				
Water System and Equipment	4,012,074	-	-	4,012,074
Building	-	159,161	-	159,161
Office & Equipment	79,687	84,013	(30,239)	133,461
Vehicles	28,900	5,000	-	33,900
<b>Total Capital Assets Being Depreciated</b>	<b>4,120,661</b>	<b>248,174</b>	<b>(30,239)</b>	<b>4,338,596</b>
<b>Less Accumulated Depreciation For:</b>				
Water System and Equipment	(2,719,557)	(97,259)	-	(2,816,816)
Building	-	(1,401)	-	(1,401)
Office & Equipment	(34,230)	(10,241)	14,350	(30,121)
Vehicles	(8,728)	(5,471)	-	(14,199)
<b>Total Accumulated Depreciation</b>	<b>(2,762,515)</b>	<b>133,802</b>	<b>14,350</b>	<b>(2,862,537)</b>
<b>Net Being Depreciated</b>	<b>1,358,146</b>	<b>198,811</b>	<b>(15,890)</b>	<b>1,476,059</b>
<b>Total Capital Assets</b>	<b>\$ 1,396,973</b>	<b>198,811</b>	<b>(15,890)</b>	<b>\$ 1,579,895</b>

**MITCHELL COUNTY RURAL WATER DISTRICT NO. 3  
BELOIT, KANSAS  
OCTOBER 31, 2015**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5 – BUDGETS AND BUDGETARY ACCOUNTING**

The District is not required to adopt a legal budget; therefore, no budgetary comparison is prepared as a financial statement. The Board approves an estimated budget each year per K.S.A. 82a-628 which is used by management to internally monitor the District's expenditures and is presented as supplementary information.

**NOTE 6 – BOND PAYABLE**

On June 15, 2003, the Kansas Rural Water Financial Authority issued \$1,615,000 of bonds on behalf of the District with an effective interest rate of 3.5% to refund their Revenue Bonds Series 1995, dated July 1, 1995 in the amount of \$1,415,000. Interest payments are due semi-annually on March 1<sup>st</sup> and September 1<sup>st</sup>. Principal payments are due on September 1st maturing in 2017. For the years ended October 31, 2013 and 2014, the board has made supplemental payments on the bond to further reduce the outstanding balance. In November 2014, the remaining \$200,000 of principal and \$2,314 of interest was paid.

**NOTE 7 – LONG-TERM DEBT**

The following schedule shows the changes in long-term debt and related maturities.

<u>Description</u>	<u>Date Issued</u>	<u>Original Amount</u>	<u>Outstanding 11-1-14</u>	<u>Principal Payments</u>	<u>Outstanding 10-31-15</u>	<u>Interest Paid In 2015</u>
2003 Bond	06/15/13	<u>1,615,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>2,314</u>

**NOTE 8 - LITIGATION**

There were no legal actions involving the District as of October 31, 2015.

**NOTE 9 - CONCENTRATIONS**

All of the District's water is purchased from Mitchell County Rural Water District No. 2.

**NOTE 10 – RETIREMENT PLAN**

In June 2013, the District approved establishing a SIMPLE IRA retirement plan for employees. The District contributes 3% of the employee's salary to the plan. If employment is terminated, the IRA remains the property of the employee. For the year ended October 31, 2015, the District contributed \$3,310 to the retirement plan. The plan is maintained by First National Bank and Trust.

**NOTE 11 - COMPENSATED ABSENCES POLICY**

During the year ended October 31, 2015, the District approved a formal vacation leave policy. The policy does not address employees carry over or payment at termination/retirement of unused vacation time. The District does not have a formal sick leave policy. Therefore, a value of compensated absences as of October 31, 2015 is not reflected in the financial statements.

**MITCHELL COUNTY RURAL WATER DISTRICT NO. 3**  
**BELOIT, KANSAS**  
**OCTOBER 31, 2015**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 12 – RISK MANAGEMENT**

Mitchell County Rural Water District No. 3 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To insure against risk of these types of losses, the District has purchased commercial insurance coverage from Fouts Insurance Agency, Inc. and Citizens State Agency in Beloit, Kansas. Settled claims resulting from these risks have not exceeded commercial coverage in the past three fiscal years.

**NOTE 13– RELATED PARTIES**

All the members of the board of directors and all employees are water district customers. The only material transactions were water purchases consummated on the same terms as all other water customers. All were current at year-end.

**MITCHELL COUNTY RURAL WATER DISTRICT NO. 3**  
**BUDGETARY COMPARISON**  
**FOR THE YEAR ENDED OCTOBER 31, 2015**

	<u>Budget</u>	<u>Actual</u>	Variance Over (Under)
<b>OPERATING REVENUES</b>			
Water Revenues - Members	\$ 445,000	\$ 356,631	\$ (88,369)
Water Revenues - Commercial	132,000	115,346	(16,654)
City Surcharge	13,000	13,061	61
Monthly Minimum	245,000	243,915	(1,085)
City Minimums	20,000	21,012	1,012
<b>TOTAL OPERATING REVENUES</b>	<u>855,000</u>	<u>749,965</u>	<u>(105,035)</u>
<b>OPERATING EXPENSES</b>			
Payroll and Payroll Taxes	119,700	121,330	1,630
Automatic Meter Reading Fees	5,000	4,242	(758)
Board Expense	3,000	2,765	(235)
Chemicals / Propane	180	-	(180)
Contract Labor	35,000	9,977	(25,023)
Dues	575	575	-
Employee Benefits	18,500	20,098	1,598
Fuel / Diesel / Oil	8,000	6,952	(1,048)
Insurance	20,000	19,377	(623)
Legal and Audit	8,300	8,650	350
Locates and Fees	425	316	(109)
Materials and Supplies	22,500	93,889	71,389
Mileage	5,000	3,153	(1,847)
Miscellaneous	24,010	2,057	(21,953)
Office Expense	6,700	7,119	419
Rent	9,500	7,875	(1,625)
Repairs and Maintenance	5,500	8,046	2,546
Utilities and Phone	37,200	33,177	(4,023)
Vehicle Maintenance	2,000	2,861	861
Water Conference Expense	1,500	1,706	206
Water Fees and Taxes	3,500	3,029	(471)
Water Purchases	175,000	164,161	(10,839)
<b>TOTAL OPERATING EXPENSES</b>	<u>511,090</u>	<u>521,355</u>	<u>10,265</u>
<b>INCOME FROM OPERATIONS BEFORE DEPRECIATION</b>	<u>343,910</u>	<u>228,610</u>	<u>(115,300)</u>
Depreciation	(105,899)	(114,372)	8,473
<b>OPERATING INCOME (LOSS)</b>	<u>238,011</u>	<u>114,238</u>	<u>(123,773)</u>
<b>NON-OPERATING REVENUES AND EXPENSES</b>			
Dividends	3,000	4,869	1,869
Interest Income	8,000	3,624	(4,376)
Miscellaneous Income and Reimbursement	32,935	29,306	(3,629)
Penalty Revenue	6,000	5,045	(955)
Reconnect Fees	2,000	-	(2,000)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>51,935</u>	<u>42,844</u>	<u>(9,091)</u>
Capital Contributions	16,000	8,400	(7,600)
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>\$ 305,946</u>	<u>\$ 165,482</u>	<u>\$ (140,464)</u>

The notes to the financial statements are an integral part of this statement.